

House File 632 - Reprinted

HOUSE FILE 632

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 454)

(SUCCESSOR TO HSB 139)

(As Amended and Passed by the House April 21, 2015)

A BILL FOR

1 An Act relating to various matters involving insurance and
2 the insurance division of the department of commerce and
3 including effective date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 22.7, subsection 58, Code 2015, is
2 amended to read as follows:

3 58. Information filed with the commissioner of insurance
4 pursuant to sections 523A.204 ~~and~~, 523A.205, 523A.206,
5 523A.207, 523A.401, 523A.502A, and 523A.803.

6 Sec. 2. Section 502.103, Code 2015, is amended to read as
7 follows:

8 **502.103 References to federal statutes.**

9 *"Securities Act of 1933"*, 15 U.S.C. §77a et seq.; *"Securities*
10 *Exchange Act of 1934"*, 15 U.S.C. §78a et seq.; *"Public Utility*
11 *Holding Company Act of 1935"*, 15 U.S.C. §79 et seq.; *"Investment*
12 *Company Act of 1940"*, 15 U.S.C. §80a-1 et seq.; *"Investment*
13 *Advisers Act of 1940"*, 15 U.S.C. §80b-1 et seq.; *"Employee*
14 *Retirement Income Security Act of 1974"*, 29 U.S.C. §1001 et
15 seq.; *"National Housing Act"*, 12 U.S.C. §1701; *"Commodity*
16 *Exchange Act"*, 7 U.S.C. §1 et seq.; *"Internal Revenue Code"*,
17 26 U.S.C. §1 et seq.; *"Securities Investor Protection Act*
18 *of 1970"*, 15 U.S.C. §78aaa et seq.; *"Securities Litigation*
19 *Uniform Standards Act of 1998"*, 112 Stat. 3227; *"Small Business*
20 *Investment Act of 1958"*, 15 U.S.C. §661 et seq.; and *"Electronic*
21 *Signatures in Global and National Commerce Act"*, 15 U.S.C.
22 §7001 et seq.; and *"Dodd-Frank Wall Street Reform and Consumer*
23 *Protection Act"*, Pub. L. No. 111-203 mean those federal statutes
24 and the rules and regulations adopted under those federal
25 statutes, as in effect on January 1, ~~2005~~ 2015.

26 Sec. 3. Section 502.202, Code 2015, is amended by adding the
27 following new subsection:

28 NEW SUBSECTION. 24. *Intrastate crowdfunding.*

29 *a. Definitions.* As used in this subsection, unless the
30 context otherwise requires:

31 (1) *"Intermediary"* means a broker-dealer that is subject
32 to the registration requirements of section 502.401 and that
33 facilitates the offer and sale of securities by issuers to
34 investors through an internet-based system that is open to
35 and accessible by the general public. *"Intermediary"* also

1 means an entity registered with the administrator as an Iowa
2 crowdfunding portal.

3 (2) "*Intrastate crowdfunding*" means the offer or sale of a
4 security by an issuer in a transaction that is available for
5 purchase only by Iowa residents and by business organizations
6 located in, and organized and registered under the laws of,
7 this state.

8 (3) "*Iowa crowdfunding portal*" means an entity incorporated
9 or organized under the laws of this state, authorized to do
10 business in this state, and engaged exclusively in intrastate
11 crowdfunding offers and sales of exempt securities in this
12 state through an internet site and which does not operate or
13 facilitate a secondary market in securities.

14 *b. Exemption not available.* The exemption in this
15 subsection is not available to any of the following:

16 (1) A foreign issuer.

17 (2) An investment company, as defined in section 3 of the
18 federal Investment Company Act of 1940.

19 (3) A development stage company that either has no specific
20 business plan or purpose or has indicated that the company's
21 business plan is to engage in a merger or acquisition with an
22 unidentified company or companies, or other entity or person.

23 (4) A company with a class of securities registered under
24 the federal Securities Exchange Act of 1934.

25 (5) Any person who is subject to a disqualifying event as
26 described in the regulations adopted in accordance with section
27 926 of the federal Dodd-Frank Wall Street Reform and Consumer
28 Protection Act, Pub. L. No. 111-203, or in rules adopted by the
29 administrator pursuant to chapter 17A.

30 *c. Aggregate sales limit.* The aggregate amount of
31 securities sold to all investors by the issuer during the
32 twelve-month period preceding the date of the offer or sale,
33 including any amount sold in reliance upon the exemption in
34 this subsection, shall not exceed one million dollars other
35 than either of the following:

1 (1) Securities sold to Iowa resident institutional
2 investors.

3 (2) Securities sold to the Iowa resident issuer's
4 management.

5 *d. Individual sales limit.* The aggregate amount of
6 securities sold to an investor by the issuer during the
7 twelve-month period preceding the date of the offer or sale,
8 including any amount sold in reliance upon the exemption in
9 this subsection, shall not exceed five thousand dollars unless
10 the investor is an accredited investor who resides in Iowa.
11 For purposes of this individual sales limit, the following
12 investors shall be treated as one investor:

13 (1) A relative, spouse, or relative of the spouse of an
14 investor who has the same principal residence as the investor.

15 (2) A trust or estate in which an investor and any related
16 person collectively have more than fifty percent of the
17 beneficial interest, excluding contingent interests.

18 (3) A corporation or other organization of which an investor
19 and any related person collectively are beneficial owners of
20 more than fifty percent of the equity securities, excluding
21 directors' qualifying shares, or equity interests.

22 *e. Use of an intermediary.* All offers and sales of
23 securities made in reliance upon the exemption in this
24 subsection shall be made through an intermediary's internet
25 site.

26 *f. Notice to administrator.* Prior to the offer of any
27 security in this state made in reliance upon the exemption
28 in this subsection, the issuer shall file a notice with
29 the administrator in a form and format approved by the
30 administrator, and including the filing fee specified by rule,
31 if any.

32 *g. Rulemaking.* The administrator shall adopt all rules
33 necessary to implement the exemption in this subsection
34 including but not limited to all of the following:

35 (1) Mandatory disclosures.

- 1 (2) Restrictions on advertising and communications.
- 2 (3) Target amount, offering period, and escrow
- 3 requirements.
- 4 (4) Use and compensation of promoters.
- 5 (5) Restrictions on the sale of securities purchased under
- 6 the exemption in this subsection.
- 7 (6) Sales reports.
- 8 (7) Limitations on the offering price.
- 9 (8) Duties of an intermediary which shall include providing
- 10 the administrator with continuous investor-level access to the
- 11 intermediary's internet site.
- 12 (9) Records maintenance.
- 13 (10) Duties and registration requirements for internet site
- 14 operators.

15 Sec. 4. Section 502.302, subsection 1, paragraph a,
16 subparagraph (1), Code 2015, is amended to read as follows:

17 (1) A person who is the issuer of a federal covered
18 security under section 18(b)(2) of the Securities Act of
19 1933 shall initially make a notice filing and annually renew
20 a notice filing in this state ~~for an indefinite amount or a~~
21 ~~fixed amount. The fixed amount must be for two hundred fifty~~
22 ~~thousand dollars.~~

23 Sec. 5. Section 502.302, subsection 1, paragraph a,
24 subparagraph (2), unnumbered paragraph 1, Code 2015, is amended
25 to read as follows:

26 A notice filer shall pay a filing fee in the amount of
27 four hundred dollars when the notice is filed. ~~If the amount~~
28 ~~covered by the notice is indefinite, the notice filer shall pay~~
29 ~~a filing fee of one thousand dollars. If the amount covered by~~
30 ~~the notice is fixed, the notice filer shall pay a filing fee~~
31 ~~of two hundred fifty dollars, and all of the following shall~~
32 ~~apply:~~

33 Sec. 6. Section 502.302, subsection 1, paragraph a,
34 subparagraph (2), subparagraph divisions (a) and (b), Code
35 2015, are amended by striking the subparagraph divisions.

1 Sec. 7. Section 502.302, subsections 2 and 3, Code 2015, are
2 amended to read as follows:

3 2. *Notice filing effectiveness and renewal.* A notice filing
4 under subsection 1 is effective for one year commencing on
5 the later of the notice filing or the effectiveness of the
6 offering filed with the securities and exchange commission.
7 On or before expiration, the issuer may renew a notice filing
8 by filing a copy of those records filed by the issuer with
9 the securities and exchange commission that are required by
10 rule or order under this chapter to be filed and by paying
11 ~~the a renewal fee required by subsection 1, paragraph "a" of~~
12 four hundred dollars. A previously filed consent to service
13 of process complying with section 502.611 may be incorporated
14 by reference in a renewal. A renewed notice filing becomes
15 effective upon the expiration of the filing being renewed.

16 3. *Notice filings for federal covered securities under*
17 *section 18(b)(4)(D).* With respect to a security that is a
18 federal covered security under section 18(b)(4)(D) of the
19 Securities Act of 1933, 15 U.S.C. §77r(b)(4)(D), a rule under
20 this chapter may require a notice filing by or on behalf of an
21 issuer to include a copy of form D, including the appendix, as
22 promulgated by the securities and exchange commission, and a
23 consent to service of process complying with section 502.611
24 signed by the issuer not later than fifteen days after the
25 first sale of the federal covered security in this state and
26 the payment of a fee of one hundred dollars; and the payment of
27 a fee of two hundred fifty dollars for any late filing.

28 Sec. 8. Section 502.412, subsection 9, Code 2015, is amended
29 to read as follows:

30 9. *Limit on investigation or proceeding.* The administrator
31 shall not institute a proceeding under subsection 1, 2,
32 or 3 based solely on material facts actually known by the
33 administrator unless an investigation or the proceeding is
34 instituted within ~~one year~~ two years after the administrator
35 actually acquires knowledge of the material facts.

1 Sec. 9. Section 505.26, Code 2015, is amended by adding the
2 following new subsection:

3 NEW SUBSECTION. 7. *a.* If a health carrier or pharmacy
4 benefits manager fails to use or accept the prior authorization
5 form that has been approved for use by the health carrier
6 or pharmacy benefits manager pursuant to this section, or
7 to respond to a health care provider's request for prior
8 authorization of prescription drug benefits within seventy-two
9 hours of the health care provider's submission of the form,
10 the request for prior authorization shall be considered to be
11 approved.

12 *b.* However, if the prior authorization request is incomplete
13 or additional information is required, the health carrier
14 or pharmacy benefits manager may request the additional
15 information within the seventy-two-hour period and once the
16 additional information is submitted the provisions of paragraph
17 "a" shall again apply.

18 *c.* Notwithstanding paragraphs "a" and "b", the commissioner
19 may develop, by rule, minimum time periods for a health carrier
20 or pharmacy benefits manager to respond to a health care
21 provider's request for prior authorization of prescription drug
22 benefits or for additional information, that are less than, but
23 in no case exceed seventy-two hours, as the commissioner deems
24 appropriate under the circumstances.

25 Sec. 10. Section 511.8, subsection 5, paragraphs a and b,
26 Code 2015, are amended to read as follows:

27 *a.* (1) If fixed interest-bearing obligations, the net
28 earnings of the issuing, assuming, or guaranteeing corporation
29 available for its fixed charges for a period of five fiscal
30 years next preceding the date of acquisition of the obligations
31 by such insurance company shall have averaged per year not
32 less than one and one-half times such average annual fixed
33 charges of the issuing, assuming, or guaranteeing corporation
34 applicable to such period, and, during at least one of the last
35 two years of such period, its net earnings shall have been

1 not less than one and one-half times its fixed charges for
2 such year; or if, at the date of acquisition, the obligations
3 are ~~adequately secured and have investment qualities and~~
4 ~~characteristics wherein the speculative elements are not~~
5 predominant investment grade as defined by the commissioner by
6 rule.

7 (2) However, with respect to fixed interest-bearing
8 obligations which are issued, assumed, or guaranteed by a
9 financial company, the net earnings by the financial company
10 available for its fixed charges for the period of five fiscal
11 years preceding the date of acquisition of the obligations by
12 the insurance company shall have averaged per year not less
13 than one and one-fourth times such average annual fixed charges
14 of the issuing, assuming, or guaranteeing financial company
15 applicable to such period, and, during at least one of the last
16 two years of the period, its net earnings shall have been not
17 less than one and one-fourth times its fixed charges for such
18 year; or if, at the date of acquisition, the obligations are
19 ~~adequately secured and speculative elements are not predominant~~
20 ~~in their investment qualities and characteristics~~ investment
21 grade as defined by the commissioner by rule. As used in
22 this subparagraph (2), "*financial company*" means a corporation
23 which on the average over its last five fiscal years preceding
24 the date of acquisition of its obligations by the insurer,
25 has had at least fifty percent of its net income, including
26 income derived from subsidiaries, derived from the business
27 of wholesale, retail, installment, mortgage, commercial,
28 industrial or consumer financing, or from banking or factoring,
29 or from similar or related lines of business.

30 b. If adjustment, income, or other contingent interest
31 obligations, the net earnings of the issuing, assuming, or
32 guaranteeing corporation available for its fixed charges
33 for a period of five fiscal years next preceding the date
34 of acquisition of the obligations by such insurance company
35 shall have averaged per year not less than one and one-half

1 times such average annual fixed charges of the issuing,
2 assuming, or guaranteeing corporation and its average annual
3 maximum contingent interest applicable to such period and,
4 during at least one of the last two years of such period, its
5 net earnings shall have been not less than one and one-half
6 times the sum of its fixed charges and maximum contingent
7 interest for such year, or if, at the date of acquisition,
8 the obligations are ~~adequately secure and have investment~~
9 ~~qualities and characteristics and speculative elements are not~~
10 predominant investment grade as defined by the commissioner by
11 rule.

12 Sec. 11. Section 511.8, subsection 6, paragraph a,
13 subparagraph (1), subparagraph division (b), unnumbered
14 paragraph 1, Code 2015, is amended to read as follows:

15 The net earnings available for fixed charges and preferred
16 dividends of the issuing corporation shall have been, for
17 each of the five fiscal years immediately preceding the date
18 of acquisition, not less than one and one-half times the sum
19 of the annual fixed charges and contingent interest, if any,
20 and the annual preferred dividend requirements as of the date
21 of acquisition; or at the date of acquisition the preferred
22 stock ~~has is~~ is investment qualities and characteristics wherein
23 ~~speculative elements are not predominant~~ grade as defined by
24 the commissioner by rule.

25 Sec. 12. Section 511.8, subsection 8, unnumbered paragraph
26 1, Code 2015, is amended to read as follows:

27 Securities included under subsections 5, 6, and 7, and
28 subsection 9, paragraph "h", shall not be eligible:

29 Sec. 13. Section 511.8, subsection 8, paragraph b,
30 unnumbered paragraph 1, Code 2015, is amended to read as
31 follows:

32 The investments of any company or association in ~~such the~~
33 securities of a corporation shall not ~~be eligible in excess of~~
34 exceed the following percentages of the legal reserve of such
35 company or association:

1 Sec. 14. Section 511.8, subsection 8, paragraph b,
2 subparagraphs (1) and (2), Code 2015, are amended to read as
3 follows:

4 (1) ~~With the exception of public securities~~ For any one
5 corporation other than a public utility company, two percent
6 of the legal reserve ~~in the securities of any one corporation.~~
7 Five For any one public utility company, five percent of the
8 legal reserve ~~in the securities of any one public utility~~
9 ~~corporation.~~

10 (2) ~~Seventy-five percent of the legal reserve in the~~
11 ~~securities described in subsection 5 issued by other than~~
12 ~~public utility corporations. Fifty percent of the legal~~
13 ~~reserve in the~~ For securities described in subsection 5 issued
14 by public utility ~~corporations~~ companies, fifty percent of the
15 legal reserve.

16 Sec. 15. Section 511.8, subsection 9, Code 2015, is amended
17 by adding the following new paragraph:

18 NEW PARAGRAPH. *h.* Mezzanine real estate loans subject to
19 the following conditions:

20 (1) The terms of the mezzanine real estate loan agreement
21 shall do all of the following:

22 (a) Require that each pledgor abstain from granting
23 additional security interests in the equity interest pledged.

24 (b) Set forth techniques to minimize the likelihood or
25 impact of a bankruptcy filing on the part of the real estate
26 owner or the mezzanine real estate loan borrower consistent
27 with the national association of insurance commissioners'
28 accounting practices and procedures manual.

29 (c) Require the real estate owner or mezzanine real estate
30 loan borrower to do all of the following:

31 (i) Hold no assets other than, in the case of the real
32 estate owner, the real property, and in the case of the
33 mezzanine real estate loan borrower, the equity interest of the
34 real estate owner.

35 (ii) Not engage in any business other than, in the case

1 of the real estate owner, the ownership and operation of the
2 real estate, and in the case of the mezzanine real estate loan
3 borrower, holding an ownership interest in the real estate
4 owner.

5 (iii) Not incur additional debt, other than limited trade
6 payables, a first mortgage loan, or mezzanine real estate
7 loans.

8 (2) At the time of purchase, the sum of the first mortgage
9 and the mezzanine real estate loans shall not exceed ninety
10 percent of the value of the real estate evidenced by a
11 current appraisal and the mezzanine real estate loan shall be
12 classified as CM4 or better in accordance with the national
13 association of insurance commissioners' rating methodology, or
14 an equivalent or successor rating.

15 (3) The value of a company's or association's total
16 investments qualified under this paragraph "h" shall not exceed
17 three percent of the legal reserve subject to the following
18 conditions:

19 (a) The value of a company's or association's total
20 investments qualified under this paragraph "h" in mezzanine
21 real estate loans classified as CM3 in accordance with the
22 national association of insurance commissioners' rating
23 methodology or an equivalent or successor rating at the time of
24 purchase shall not exceed two percent of the legal reserve.

25 (b) The value of a company's or association's total
26 investments qualified under this paragraph "h" in mezzanine
27 real estate loans classified as CM4 in accordance with the
28 national association of insurance commissioners' rating
29 methodology or an equivalent or successor rating at the time of
30 purchase shall not exceed one percent of the legal reserve.

31 (4) For purposes of this paragraph "h", "*mezzanine real*
32 *estate loan*" means a loan secured by a pledge of a direct or
33 indirect equity interest in an entity that owns real estate.

34 Sec. 16. Section 511.8, subsection 13, Code 2015, is amended
35 to read as follows:

1 13. *Collateral loans.* Loans secured by collateral
2 consisting of any ~~securities~~ assets or investments qualified in
3 under this section, provided the amount of the loan is not in
4 excess of ninety percent of the value of the ~~securities~~ assets
5 or investments. Provided further that subsection 8 shall apply
6 to the collateral ~~securities~~ assets or investments pledged
7 to the payment of loans ~~authorized in~~ qualified under this
8 subsection.

9 Sec. 17. Section 511.8, subsection 18, paragraph a, Code
10 2015, is amended to read as follows:

11 a. (1) Common stocks, or shares, or equity interests issued
12 by solvent corporations or institutions are eligible if the
13 total investment in the common stocks, or shares in, or equity
14 interests of the corporations or institutions does not exceed
15 ten percent of legal reserve, provided not more than one-half
16 percent of the legal reserve is invested in common stocks,
17 or shares, or equity interests of any one corporation or
18 institution. However, the not more than four percent of legal
19 reserve shall be invested in common stocks, or shares shall be
20 , or equity interests which do not meet one of the following
21 requirements:

22 (a) Are listed or admitted to trading on an established
23 foreign securities exchange or a securities exchange in the
24 United States ~~or shall be~~.

25 (b) Are publicly held and traded in the "over-the-counter
26 market" ~~and, provided that~~ market quotations shall be readily
27 available, ~~and further, the investment~~.

28 (2) An investment in common stocks, shares, or equity
29 interests shall not create a conflict of interest for an
30 officer or director of the company between the insurance
31 company and the corporation whose common stocks, or shares, or
32 equity interests are purchased.

33 Sec. 18. Section 511.8, subsection 20, paragraph b, Code
34 2015, is amended to read as follows:

35 b. For purposes of this subsection, "*venture capital*

1 *fund* means a corporation, partnership, proprietorship, or
 2 other entity formed under the laws of the United States, or
 3 a state, district, or territory of the United States, whose
 4 principal business is or will be the making of investments in,
 5 and the provision of significant managerial assistance to,
 6 small businesses which meet the small business administration
 7 definition of small business. "*Equity interests*" means limited
 8 partnership interests and other equity interests in which
 9 liability is limited to the amount of the investment, but does
 10 not mean general partnership interests or other interests
 11 involving general liability. "*Venture capital fund*" includes an
 12 equity interest in the Iowa fund of funds as defined in section
 13 15E.62 and an equity interest in an innovation fund as defined
 14 in section 15E.52.

15 Sec. 19. Section 511.8, subsection 22, paragraphs c and d,
 16 Code 2015, are amended to read as follows:

17 c. Investments in financial instruments used in hedging
 18 transactions are not eligible in excess of two percent of
 19 the legal reserve in the financial instruments of any one
 20 corporation, less any securities of that corporation owned
 21 by the company or association and in which its legal reserve
 22 is invested, except insofar as the financial instruments are
 23 collateralized by cash, United States government obligations
 24 as authorized by subsection 1, or obligations of or guaranteed
 25 by a United States government-sponsored enterprise which on
 26 the date they are pledged as collateral are ~~adequately secured~~
 27 ~~and have investment qualities and characteristics wherein the~~
 28 ~~speculative elements are not predominant~~ investment grade as
 29 defined by the commissioner by rule, which are deposited with a
 30 custodian bank as defined in subsection 21, and held under a
 31 written agreement with the custodian bank that complies with
 32 subsection 21 and provides for the proceeds of the collateral,
 33 subject to the terms and conditions of the applicable
 34 collateral or other credit support agreement, to be remitted to
 35 the legal reserve deposit of the company or association and to

1 vest in the state in accordance with section 508.18 whenever
2 proceedings under that section are instituted.

3 *d.* Investments in financial instruments used in hedging
4 transactions are not eligible in excess of ten percent of the
5 legal reserve, except insofar as the financial instruments are
6 collateralized by cash, United States government obligations
7 as authorized by subsection 1, or obligations of or guaranteed
8 by a United States government-sponsored enterprise which on
9 the date they are pledged as collateral are ~~adequately secured~~
10 ~~and have investment qualities and characteristics wherein the~~
11 ~~speculative elements are not predominant~~ investment grade as
12 defined by the commissioner by rule, which are deposited with a
13 custodian bank as defined in subsection 21, and held under a
14 written agreement with the custodian bank that complies with
15 subsection 21 and provides for the proceeds of the collateral,
16 subject to the terms and conditions of the applicable
17 collateral or other credit support agreement, to be remitted to
18 the legal reserve deposit of the company or association and to
19 vest in the state in accordance with section 508.18 whenever
20 proceedings under that section are instituted.

21 Sec. 20. Section 511.8, subsection 22, paragraph e,
22 subparagraph (1), Code 2015, is amended to read as follows:

23 (1) Investments in financial instruments of foreign
24 governments or foreign corporate obligations, other than
25 Canada, used in hedging transactions shall be included
26 in the limitation contained in subsection 19 that allows
27 only twenty percent of the legal reserve of the company or
28 association to be invested in such foreign investments, except
29 insofar as the financial instruments are collateralized by
30 cash, United States government obligations as authorized by
31 subsection 1, or obligations of or guaranteed by a United
32 States government-sponsored enterprise which on the date
33 they are pledged as collateral are ~~adequately secured and~~
34 ~~have investment qualities and characteristics wherein the~~
35 ~~speculative elements are not predominant~~ investment grade as

1 defined by the commissioner by rule, which are deposited with a
2 custodian bank as defined in subsection 21, and held under a
3 written agreement with the custodian bank that complies with
4 subsection 21 and provides for the proceeds of the collateral,
5 subject to the terms and conditions of the applicable
6 collateral or other credit support agreement, to be remitted to
7 the legal reserve deposit of the company or association and to
8 vest in the state in accordance with section 508.18 whenever
9 proceedings under that section are instituted.

10 Sec. 21. Section 514G.102, Code 2015, is amended to read as
11 follows:

12 **514G.102 Scope.**

13 The requirements of this chapter apply to policies delivered
14 or issued for delivery in this state on or after July 1, 2008.
15 The requirements of this chapter related to independent review
16 of benefit trigger determinations apply to all claims made on
17 or after January 1, 2009. The requirements of this chapter
18 related to prompt payment of claims and the payment of interest
19 apply to all long-term care insurance policies. This chapter
20 is not intended to supersede the obligations of entities
21 subject to this chapter to comply with the substance of other
22 applicable insurance laws not in conflict with this chapter,
23 except that laws and regulations designed and intended to apply
24 to Medicare supplement insurance policies shall not be applied
25 to long-term care insurance.

26 Sec. 22. Section 515.35, subsection 4, paragraph m, Code
27 2015, is amended to read as follows:

28 *m. Venture capital funds.* Shares or equity interests in
29 venture capital funds which agree to invest an amount equal to
30 at least fifty percent of the investments by a company in small
31 businesses having their principal offices within this state and
32 having either more than one-half of their assets within this
33 state or more than one-half of their employees employed within
34 this state. A company shall not invest more than five percent
35 of its capital and surplus under this paragraph. For purposes

1 of this paragraph, "venture capital fund" means a corporation,
2 partnership, proprietorship, or other entity formed under the
3 laws of the United States, or a state, district, or territory
4 of the United States, whose principal business is or will be
5 the making of investments in, and the provision of significant
6 managerial assistance to, small businesses which meet the small
7 business administration definition of small business. "Equity
8 interests" means limited partnership interests and other equity
9 interests in which liability is limited to the amount of the
10 investment, but does not mean general partnership interests or
11 other interests involving general liability. "Venture capital
12 fund" includes an equity interest in the Iowa fund of funds
13 as defined in section 15E.62 and an equity interest in an
14 innovation fund as defined in section 15E.52.

15 Sec. 23. Section 515.125, subsection 2, Code 2015, is
16 amended to read as follows:

17 2. An insurer shall not fail to renew a policy except by
18 notice to the insured as provided in this chapter. A notice
19 of intention not to renew is not effective unless mailed or
20 delivered by the insurer to the named insured at least thirty
21 days prior to the expiration date of the policy. A notice
22 of intention not to renew is not required if the insured is
23 transferred from an insurer to an ~~affiliate for future coverage~~
24 ~~as a result of a merger, acquisition, or company restructuring~~
25 ~~and if the transfer results in the same or broader coverage~~
26 insurance company admitted in Iowa which is an affiliate of, as
27 defined in section 521A.1, the transferring insurer and all of
28 the following conditions are met:

29 a. The transfer does not result in an interruption in
30 coverage.

31 b. The rating of the affiliate from the A.M. Best company or
32 a substitute rating service acceptable to the commissioner, is
33 the same or better than the rating of the transferring insurer.

34 c. The transfer results in the same or broader coverage.

35 d. Notice of the transfer is delivered to the insured or

1 sent by first class mail to the insured's last known address
2 not less than thirty days prior to the transfer. The notice
3 required by this paragraph is not required in the event that
4 the insured requests or consents to the transfer.

5 e. The notice of transfer provides the name and telephone
6 number of the insured's insurance producer, agent, or agency,
7 if any.

8 Sec. 24. Section 515.128, subsection 3, Code 2015, is
9 amended to read as follows:

10 3. This section applies to all forms of commercial property
11 and casualty insurance written pursuant to this chapter. It
12 does not apply if the insurer has offered to renew or if the
13 insured fails to pay a premium due or any advance premium
14 required by the insurer for renewal. A notice of nonrenewal
15 is not required if the insured is transferred from an insurer
16 ~~to an affiliate for future coverage as a result of a merger,~~
17 ~~acquisition, or company restructuring and if the transfer~~
18 ~~results in the same or broader coverage~~ insurance company
19 admitted in Iowa which is an affiliate of, as defined in
20 section 521A.1, the transferring insurer and all of the
21 following conditions are met:

22 a. The transfer does not result in an interruption in
23 coverage.

24 b. The rating of the affiliate from the A.M. Best company or
25 a substitute rating service acceptable to the commissioner, is
26 the same or better than the rating of the transferring insurer.

27 c. The transfer results in the same or broader coverage.

28 d. Notice of the transfer is delivered to the insured or
29 sent by first class mail to the insured's last known address
30 not less than forty-five days prior to the transfer. The
31 notice required by this paragraph is not required in the event
32 that the insured requests or consents to the transfer.

33 e. The notice of transfer provides the name and telephone
34 number of the insured's insurance producer, agent, or agency,
35 if any.

1 Sec. 25. Section 521A.5, subsection 4, paragraph d, Code
2 2015, is amended to read as follows:

3 *d.* The board of directors of a domestic insurer shall
4 establish one or more committees comprised solely of directors
5 who or other persons appointed by the board, the majority of
6 whom are not officers or employees of the insurer or of any
7 entity controlling, controlled by, or under common control with
8 the insurer and who are not beneficial owners of a controlling
9 interest in the voting stock of the insurer or any such entity.
10 The committee or committees shall have responsibility for
11 recommending or nominating candidates for director for election
12 by shareholders or policyholders, evaluating the performance
13 of officers deemed to be principal officers of the insurer,
14 and recommending to the board of directors the selection and
15 compensation of the principal officers.

16 Sec. 26. Section 523A.102, subsection 8, Code 2015, is
17 amended by striking the subsection.

18 Sec. 27. Section 523A.204, subsection 3, Code 2015, is
19 amended to read as follows:

20 3. All records maintained by the commissioner under this
21 section shall be confidential pursuant to section 22.7,
22 subsection 58, and shall not be made available for inspection
23 or copying except upon the approval of the commissioner or the
24 attorney general, or except when sought by the preneed seller
25 to whom the records relate. Such records shall be privileged
26 and confidential in any judicial or administrative proceeding
27 except any of the following:

28 *a.* An action commenced by the commissioner.

29 *b.* An administrative proceeding brought by the insurance
30 division.

31 *c.* An action or proceeding which arises out of the criminal
32 provisions of the laws of this state or of the United States.

33 *d.* An action brought by the insurance division or
34 the attorney general to recover moneys for embezzlement,
35 misappropriation, or misuse of trust funds.

1 Sec. 28. Section 523A.204, subsections 4 and 5, Code 2015,
2 are amended by striking the subsections.

3 Sec. 29. Section 523A.205, subsection 2, Code 2015, is
4 amended by striking the subsection.

5 Sec. 30. Section 523A.205, subsection 3, Code 2015, is
6 amended to read as follows:

7 3. ~~Notwithstanding chapter 22, all~~ All records maintained
8 by the commissioner under this section shall be confidential
9 pursuant to section 22.7, subsection 58, and shall not be made
10 available for inspection or copying except upon approval of the
11 commissioner or the attorney general, or except when sought by
12 the financial institution to whom the records relate. Such
13 records shall be privileged and confidential in any judicial or
14 administrative proceeding except any of the following:

15 a. An action commenced by the commissioner.

16 b. An administrative proceeding brought by the insurance
17 division.

18 c. An action or proceeding which arises out of the criminal
19 provisions of the laws of this state or of the United States.

20 d. An action brought by the insurance division or
21 the attorney general to recover moneys for embezzlement,
22 misappropriation, or misuse of trust funds.

23 Sec. 31. Section 523A.206, subsection 6, Code 2015, is
24 amended by striking the subsection and inserting in lieu
25 thereof the following:

26 6. All records maintained by the commissioner under this
27 section, including work papers, notes, recorded information,
28 documents, and copies thereof that are produced or obtained
29 by or disclosed to the commissioner or another person in the
30 course of a compliance examination, shall be confidential
31 pursuant to section 22.7, subsection 58, and shall not be
32 made available for inspection and copying except upon the
33 approval of the commissioner or the attorney general. Such
34 records shall be privileged and confidential in any judicial or
35 administrative proceeding except any of the following:

1 *a.* An action commenced by the commissioner.

2 *b.* An administrative proceeding brought by the insurance
3 division.

4 *c.* An action or proceeding which arises out of the criminal
5 provisions of the laws of this state or of the United States.

6 *d.* An action brought by the insurance division or
7 the attorney general to recover moneys for embezzlement,
8 misappropriation, or misuse of trust funds.

9 Sec. 32. Section 523A.207, Code 2015, is amended to read as
10 follows:

11 **523A.207 Audits by certified public accountants — penalty.**

12 1. A purchase agreement shall not be sold or transferred,
13 as part of the sale of a business or the assets of a business,
14 until an audit has been performed by a certified public
15 accountant and filed with the commissioner that expresses the
16 auditor's opinion of the adequacy of funding related to the
17 purchase agreements to be sold or transferred. If the buyer
18 of a purchase agreement sold or transferred as part of the
19 sale of a business or the assets of a business, fails to file
20 such an audit, the commissioner shall suspend the preneed
21 seller's license of the buyer and the preneed sales license of
22 any sales agent in the employ of the buyer until the audit is
23 filed. In addition, the commissioner shall assess a penalty
24 against the buyer in an amount up to one hundred dollars for
25 each day that the audit remains unfiled. The commissioner
26 shall allow a thirty-day grace period after the date that a
27 purchase agreement is sold or transferred before suspension of
28 a license or assessment of a penalty for failure to file an
29 audit pursuant to this section.

30 2. All records maintained by the commissioner under this
31 section shall be confidential pursuant to section 22.7,
32 subsection 58, and shall not be made available for inspection
33 or copying except upon approval of the commissioner or the
34 attorney general, or except when sought by the preneed seller
35 to whom the records relate. Such records shall be privileged

1 and confidential in any judicial or administrative proceeding
2 except any of the following:

3 a. An action commenced by the commissioner.

4 b. An administrative proceeding brought by the insurance
5 division.

6 c. An action or proceeding which arises out of the criminal
7 provisions of the laws of this state or of the United States.

8 d. An action brought by the insurance division or
9 the attorney general to recover moneys for embezzlement,
10 misappropriation, or misuse of trust funds.

11 Sec. 33. Section 523A.401, subsection 8, Code 2015, is
12 amended to read as follows:

13 8. An insurance company issuing policies funding purchase
14 agreements subject to this chapter shall file an annual report
15 with the commissioner on a form prescribed by the commissioner.
16 The report shall list the applicable insurance policies
17 outstanding for each seller. ~~Computer printouts may be~~
18 ~~submitted so long as each legibly provides the same information~~
19 ~~required in the prescribed form.~~

20 Sec. 34. Section 523A.401, Code 2015, is amended by adding
21 the following new subsection:

22 NEW SUBSECTION. 10. All records maintained by the
23 commissioner under this section shall be confidential
24 pursuant to section 22.7, subsection 58, and shall not be made
25 available for inspection or copying except upon approval of the
26 commissioner or the attorney general, or except when sought
27 by the insurance company to whom the records relate. Such
28 records shall be privileged and confidential in any judicial or
29 administrative proceeding except any of the following:

30 a. An action commenced by the commissioner.

31 b. An administrative proceeding brought by the insurance
32 division.

33 c. An action or proceeding which arises out of the criminal
34 provisions of the laws of this state or of the United States.

35 d. An action brought by the insurance division or

1 the attorney general to recover moneys for embezzlement,
2 misappropriation, or misuse of trust funds.

3 Sec. 35. Section 523A.402, subsection 8, Code 2015, is
4 amended to read as follows:

5 8. An insurance company issuing annuities funding purchase
6 agreements subject to this chapter shall file an annual report
7 with the commissioner on a form prescribed by the commissioner.
8 The report shall list the applicable annuities outstanding for
9 each seller. ~~Computer printouts may be submitted so long as~~
10 ~~each legibly provides the same information required in the~~
11 ~~prescribed form.~~

12 Sec. 36. Section 523A.405, Code 2015, is amended by striking
13 the section and inserting in lieu thereof the following:

14 **523A.405 Bond in lieu of trust fund.**

15 The commissioner shall, by rule, establish terms and
16 conditions under which a seller may, in lieu of trust
17 requirements, file with the commissioner a surety bond issued
18 by a surety company authorized to do business and doing
19 business in this state.

20 Sec. 37. Section 523A.501, subsection 2, Code 2015, is
21 amended to read as follows:

22 2. An application for a preneed seller's license shall be
23 filed on a form and in a format prescribed by the commissioner
24 and be accompanied by a fifty-dollar filing fee in an amount
25 set by the commissioner by rule. The application shall include
26 the name of the natural person or legal entity to be licensed
27 as the preneed seller and, if applicable, any other name
28 under which the preneed seller will be transacting business,
29 including any names registered with the secretary of state or a
30 county clerk. The application shall be updated as necessary
31 to ensure that the commissioner has been notified of all names
32 under which the preneed seller is operating and doing business.

33 Sec. 38. Section 523A.501, subsection 7, Code 2015, is
34 amended to read as follows:

35 7. A preneed seller's license ~~shall be renewed every four~~

1 ~~years by filing the form prescribed by the commissioner under~~
2 ~~subsection 2, accompanied by a renewal fee in an amount set by~~
3 ~~the commissioner by rule expires annually on April 15. If the~~
4 preneed seller has filed a complete annual report and paid the
5 required fees as required in section 523A.204, the commissioner
6 shall renew the preneed seller's license until April 15 of the
7 following year.

8 Sec. 39. Section 523A.502, subsection 5, Code 2015, is
9 amended by striking the subsection and inserting in lieu
10 thereof the following:

11 5. A sales license shall expire annually on April 15. If
12 the sales agent has filed a substantially complete annual
13 report as required in section 523A.502A, the commissioner shall
14 renew the sales license until April 15 of the following year.

15 Sec. 40. Section 523A.502A, subsections 1 and 2, Code 2015,
16 are amended to read as follows:

17 1. A sales agent shall file with the commissioner not later
18 than April 1 of each year an annual report on a form prescribed
19 by the commissioner describing each purchase agreement sold
20 by the sales agent during the year. An annual report must be
21 filed whether or not sales were made during the year and even
22 if the sales agent is no longer an agent of a preneed seller or
23 licensed by the commissioner.

24 2. All records maintained by the commissioner under this
25 section shall be confidential pursuant to section 22.7,
26 subsection 58, and shall not be made available for inspection
27 or copying except upon the approval of the commissioner or the
28 attorney general, or except when sought by the sales agent to
29 whom the records relate. Such records shall be privileged
30 and confidential in any judicial or administrative proceeding
31 except any of the following:

32 a. An action commenced by the commissioner.

33 b. An administrative proceeding brought by the insurance
34 division.

35 c. An action or proceeding which arises out of the criminal

1 provisions of the laws of this state or of the United States.

2 d. An action brought by the insurance division or
3 the attorney general to recover moneys for embezzlement,
4 misappropriation, or misuse of trust funds.

5 Sec. 41. Section 523A.502A, subsections 3 and 4, Code 2015,
6 are amended by striking the subsections.

7 Sec. 42. Section 523A.803, subsection 1, paragraph c, Code
8 2015, is amended by striking the paragraph.

9 Sec. 43. Section 523A.803, Code 2015, is amended by adding
10 the following new subsection:

11 NEW SUBSECTION. 1A. All records maintained by the
12 commissioner under this section, including work papers, notes,
13 recorded information, documents, and copies thereof that are
14 produced or obtained by or disclosed to the commissioner or
15 another person in the course of an investigation, shall be
16 confidential pursuant to section 22.7, subsection 58, and shall
17 not be made available for inspection and copying except upon
18 the approval of the commissioner or the attorney general. Such
19 records shall be privileged and confidential in any judicial or
20 administrative proceeding except any of the following:

21 a. An action commenced by the commissioner.

22 b. An administrative proceeding brought by the insurance
23 division.

24 c. An action or proceeding which arises out of the criminal
25 provisions of the laws of this state or of the United States.

26 d. An action brought by the insurance division or
27 the attorney general to recover moneys for embezzlement,
28 misappropriation, or misuse of trust funds.

29 Sec. 44. Section 523A.807, subsection 3, unnumbered
30 paragraph 1, Code 2015, is amended to read as follows:

31 If the commissioner finds that a person has violated section
32 523A.201, 523A.202, 523A.203, 523A.207, 523A.401, 523A.402,
33 523A.403, 523A.404, 523A.405, 523A.501, 523A.502, ~~or 523A.504~~
34 or any rule adopted pursuant thereto, the commissioner may
35 order any or all of the following:

1 Sec. 45. Section 523I.810, subsection 9, Code 2015, is
2 amended to read as follows:

3 9. A cemetery may, by resolution adopted by a vote of at
4 least two-thirds of the members of its board at any authorized
5 meeting of the board, authorize the withdrawal and use of
6 not more than twenty percent of the principal of the care
7 fund to acquire additional land for cemetery purposes, to
8 repair a mausoleum or other building or structure intended for
9 cemetery purposes, to build, improve, or repair boundaries,
10 roads and walkways in the cemetery, to construct a columbarium,
11 mausoleum, or similar structure to create additional interment
12 spaces, to purchase equipment for tree, shrub, and lawn care,
13 to purchase backhoes or similar equipment used to open and
14 close interment spaces, or to purchase recordkeeping software
15 used to maintain ownership records or interment records. The
16 resolution shall establish a reasonable repayment schedule, not
17 to exceed five years, ~~and provide for interest in an amount~~
18 ~~comparable to the care fund's current rate of return on its~~
19 ~~investments.~~ However, the care fund shall not be diminished
20 below an amount equal to the greater of twenty-five thousand
21 dollars or five thousand dollars per acre of land in the
22 cemetery. The resolution, and if the deposit of care fund
23 income over five years is unlikely to fund replenishment of the
24 principal of the care fund, either a bond or proof of insurance
25 to guarantee replenishment of the care fund, shall be filed
26 with the commissioner thirty days prior to the withdrawal of
27 funds.

28 Sec. 46. Section 523I.811, subsection 1, paragraph b, Code
29 2015, is amended to read as follows:

30 **b.** Maintaining drains, water lines, roads, buildings,
31 boundaries, fences, and other structures.

32 Sec. 47. Section 523I.811, subsection 1, Code 2015, is
33 amended by adding the following new paragraphs:

34 NEW PARAGRAPH. **g.** To purchase equipment to maintain the
35 cemetery.

1 NEW PARAGRAPH. *h.* To purchase backhoes or similar equipment
2 used to open and close interment spaces.

3 NEW PARAGRAPH. *i.* To purchase equipment used to construct
4 a columbarium, mausoleum, or similar structure to create
5 additional interment spaces.

6 Sec. 48. NEW SECTION. **523I.811A Emergency use of care**
7 **funds.**

8 1. Notwithstanding any other provision of this chapter,
9 a perpetual care cemetery may apply to the commissioner to
10 withdraw funds from the cemetery's care fund for a financial
11 emergency. The commissioner shall, by rule, establish
12 standards and procedures for such applications and for
13 withdrawals from care funds.

14 2. Upon application, the commissioner may allow a perpetual
15 care cemetery to withdraw funds from the care fund if the
16 commissioner finds that the cemetery has an urgent financial
17 need and the withdrawal is deemed reasonable and prudent to
18 fund a necessary expense of the cemetery. The commissioner
19 shall establish conditions for the specific use of the funds
20 withdrawn and may require repayment of all or part of the
21 amount withdrawn.

22 Sec. 49. EFFECTIVE DATE. The following provision or
23 provisions of this Act take effect January 1, 2016:

24 1. The section of this Act adding section 502.202,
25 subsection 24.

26 Sec. 50. DIRECTIONS TO CODE EDITOR. The Iowa code editor is
27 directed to transfer section 515.11 to new section 515.23.

28 Sec. 51. REPEAL. Section 523A.504, Code 2015, is repealed.